

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Schoolcraft County EDC	County Schoolcraft
Fiscal Year End September 30, 2006	Opinion Date December 14, 2006	Date Audit Report Submitted to State February 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111	
Street Address 901 Ludington Street		City Escanaba	State MI
Authorizing CPA Signature 		Printed Name Alan M. Stotz, CPA	Zip 49829
		License Number 1599539	

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

COMPONENT UNIT FINANCIAL STATEMENTS

September 30, 2006

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Schoolcraft County Economic  
Development Corporation  
Manistique, Michigan 49854

We have audited the accompanying statement of net assets of the Schoolcraft County Economic Development Corporation, a component unit of Schoolcraft County, as of and for the year ended September 30, 2006, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Schoolcraft County Economic Development Corporation and do not purport to, and do not, present fairly the financial position of the County of Schoolcraft, Michigan, as of September 30, 2006, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schoolcraft County Economic Development Corporation, as of September 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
Schoolcraft County Economic  
Development Corporation

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2006, on our consideration of the Schoolcraft County Economic Development Corporation's internal control over financial reporting and our tests of its' compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages three through six is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 14, 2006

## Schoolcraft County Economic Development Corporation

### Management Discussion and Analysis (Unaudited)

This section of the Schoolcraft County Economic Development Corporation's (SCEDC) annual financial report presents our discussion and analysis of the SCEDC's financial performance during the year ended September 30, 2006. Please read it in conjunction with the SCEDC's financial statements.

The following table summarizes the net assets as of September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
ASSETS:		
CURRENT		
ASSETS:		
Cash - Restricted	\$ 81,819	\$ 45,405
-		
Unrestricted	47,970	2,496
Certificate of Deposit	-	11,104
Accounts Receivable - Housing	-	11,620
- Admin	-	3,725
	<u>129,789</u>	<u>74,350</u>
Total Current Assets		
	<u>129,789</u>	<u>74,350</u>
FIXED ASSETS:		
Land	-	5,000
Building	-	18,000
Building Improvements	-	19,136
Office Equipment &		
Furniture	6,641	8,234
Less: Accumulated Depreciation	<u>(5,635)</u>	<u>(26,831)</u>
Net Fixed Assets	<u>1,006</u>	<u>23,539</u>
Total Assets	<u>\$ 130,795</u>	<u>\$ 97,889</u>

LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable - Housing	-	\$ 4,150
Accrued Payroll Taxes & Unemployment	2,847	2,115
Deferred Revenue	48,364	-
Total Current Liabilities	51,211	6,265

NET ASSETS:

Invested in Capital Assets, Net		
of Related Debt	1,006	23,539
Unrestricted	78,578	68,085
Total Net Assets	79,584	91,624
Total Liabilities and Net Assets	\$ 130,795	\$ 97,889

The following revenue table provides comparative revenue and expense information for the fiscal years ended September 30, 2006 and 2005:

	2006	2005
OPERATING REVENUES:		
Federal Sources:		
Rehab Grants - County Admin & Project Management	\$ 133,353	\$ 161,345
State Sources:		
Rehab Grants - City	-	98,137
Brownfield Admin & Project Management	2,191	-
Homelinks	-	20,274
MSHDA Miscellaneous	1,050	500
Other:		
County Appropriation	-	5,198
City Appropriation	10,000	8,000
Township Appropriations	1,100	1,100
	1,200	2,000

Program Income - County	34,532	23,621
- City	-	6,792
Homeowner Share - County	255	-
- City	-	35,379
Miscellaneous	130	3,829
	<u>190,344</u>	<u>396,790</u>
Total Operating Revenues		
OPERATING EXPENSES:		
Rehabilitation Expenses	137,539	308,458
Administrative Expenses	81,369	107,556
	<u>218,908</u>	<u>416,014</u>
Total Operating Expenses		
Operating Loss	(28,564)	(19,224)
NONOPERATING INCOME (EXPENSE):		
Interest Income	450	169
Gain on Sale of Assets	16,074	-
	<u>16,524</u>	<u>169</u>
Total Nonoperating Income		
Net		
Loss	(12,040)	(19,055)
Net Assets, Beginning of Year	91,624	110,679
	<u>91,624</u>	<u>110,679</u>
Net Assets, End of Year	\$ 79,584	\$ 91,624

The Schoolcraft County SCEDC revenues decreased along with expenses but an overall loss was still realized at \$12,040. This is the result of the reduction of grant funding due primarily to budget cuts at the state and federal level.

Due to these cutbacks and decreased equity the Board decided late in the fiscal year to sell the land and building of the Corporation and to lay off the Executive Director. In the future the Corporation can continue to administer housing grants under the remaining funding levels. New sources of funding may be pursued in the future depending on the Board's desire to expand the current operation of the Corporation and to hire a new Executive Director.



This financial report is designed to provide our citizens with a general overview of the SCEDC's finances and to demonstrate accountability in the funds received.

If you have any questions about this report or need additional information, please contact the SCEDC office directly at the Schoolcraft County Courthouse, Manistique, MI 49854.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS

September 30, 2006

ASSETS

CURRENT ASSETS:

Cash - Restricted	\$ 81,819
Unrestricted	<u>47,970</u>

TOTAL CURRENT ASSETS	<u>129,789</u>
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FIXED ASSETS:

Office equipment and furniture	6,641
Less accumulated depreciation	<u>(5,635)</u>

NET FIXED ASSETS	<u>1,006</u>
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TOTAL ASSETS	<u><u>\$ 130,795</u></u>
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LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Accrued payroll taxes	\$ 675
Accrued unemployment	2,172
Deferred revenue	<u>48,364</u>

TOTAL CURRENT LIABILITIES	<u>51,211</u>
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NET ASSETS:

Invested in capital assets, net	
of related debt	1,006
Unrestricted	<u>78,578</u>

TOTAL NET ASSETS	<u>79,584</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 130,795</u></u>
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See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

For the year ended September 30, 2006

OPERATING REVENUES:

Federal sources:

Rehabilitation grants - County	\$ 133,353
Administration and project management	6,533

State sources:

Brownfield	2,191
Homelinks	1,050

Other:

County appropriation	10,000
City appropriation	1,100
Township appropriations	1,200
Program Income - County	34,532
Homeowner share - County	255
Miscellaneous	<u>130</u>

TOTAL OPERATING REVENUES	<u>190,344</u>
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OPERATING EXPENSES:

Rehabilitation grants - County	105,899
Rehabilitation using program income - City	1,714
- County	29,866
DPA grants - County	60

Administrative expenses:

Salaries and wages	48,985
Fringe benefit expense	6,022
Payroll taxes	3,747
Unemployment	2,172
Advertising	774
Marketing	460
Office supplies	1,912
Depreciation	3,164
Postage	935
Telecommunications	3,131
Travel & training	955
Insurance	946
Professional services	4,103
Utilities	2,379
Subscriptions and dues	803
Repair and maintenance	660
Miscellaneous	<u>221</u>

TOTAL OPERATING EXPENSES	<u>218,908</u>
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OPERATING LOSS	<u>(28,564)</u>
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See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

For the year ended September 30, 2006

NON-OPERATING INCOME (EXPENSE):

Interest income	450
Gain on sale of assets	<u>16,074</u>
TOTAL NONOPERATING INCOME	<u>16,524</u>
NET LOSS	(12,040)
Net assets, beginning of year	<u>91,624</u>
NET ASSETS, END OF YEAR	<u>\$ 79,584</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the year ended September 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from grant activities	\$ 203,592
Cash received from other sources	50,458
Cash payments to employees for services	(60,194)
Cash payments to suppliers for goods and services	<u>(158,968)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>34,888</u>
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CASH FLOWS FROM CAPITAL ACTIVITIES:

Cash received from sale of assets	<u>35,446</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>450</u>
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NET INCREASE IN CASH	70,784
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Cash and equivalents, beginning of year	<u>59,005</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 129,789</u>
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RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES:

Operating loss	(28,564)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3,164
(Increase) decrease in receivables	15,345
Increase (decrease) in accounts payable	(4,150)
Increase (decrease) in accrued expenses	729
Increase (decrease) in deferred revenue	<u>48,364</u>

NET CASH USED BY OPERATING ACTIVITIES	<u>\$ 34,888</u>
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See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Economic Development Corporation was incorporated on March 12, 1982 by Schoolcraft County under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purposes of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Schoolcraft County. To fulfill its stated purpose, the Corporation was charged with management responsibilities for distribution and control over certain grant monies.

- (1) Scope of Entity - The accompanying financial statements present information on all of the federal, state and local grants received by the Corporation.
- (2) Component Unit - The Schoolcraft County Economic Development Corporation is a component unit of the County of Schoolcraft.
- (3) Accounting Policies - The accounting policies of the Corporation conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Accounting - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Corporation maintains its accounting records on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. The Corporation applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

- (4) Fixed Assets - Fixed assets, consisting of buildings and tangible personal property, are valued at cost for assets purchased by the Corporation and at estimated fair market value at date of acquisition for assets acquired by transfer from other entities.
- (5) Depreciation - Depreciation on all exhaustible fixed assets used by the Corporation is charged as an expense against operations and accumulated depreciation is reported on the statement of net assets.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Equipment	15 years
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The cost of normal maintenance and repairs is charged to operations as incurred.

- (6) Restricted Resources - When both general purpose and restricted revenues are available for use it is the Corporation's policy to use restricted resources first.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (7) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND EQUIVALENTS

- (1) Cash - Within the Statement of Net Assets and the Statement of Cash Flows all investments that have original maturities of three months or less are reported as cash equivalents. The composition of cash as reported on the balance sheet is presented below:

Cash items:	
Checking - restricted	\$ 81,819
- unrestricted	41,417
Money Market	<u>6,553</u>
TOTAL	<u>\$ 129,789</u>

- (2) Deposits - At year-end, the carrying amount of the Corporation's deposits were \$129,789 and the bank balance was \$168,264. Of the bank balance, \$144,904 is insured by Federal Depository Insurance according to FDIC regulations, and \$23,360 is uninsured and uncollateralized.

State statutes authorize the Corporation to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or an Agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Banker's acceptance of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are related as investment grade by not less than one standard rating service.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE B - CASH AND EQUIVALENTS (continued)

- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
- i) The purchase of securities on a when-issued or delayed delivery basis.
  - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
  - iii) The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. Investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost, which approximate market value, and are in accordance with statutory authority.

NOTE C - FIXED ASSETS

A summary of changes in fixed assets is as follows:

	Balance 10/01/05	Additions	Deletions	Balance 9/30/06
Land (undepreciated)	\$ 5,000	\$ -	\$ 5,000	\$ -
Building	18,000	-	18,000	-
Building improvements	19,136	-	19,136	-
Office equipment	8,234	-	1,593	6,641
	50,370	-	43,729	6,641
Accumulated depreciation	(23,250)	3,164	20,779	(5,635)
NET FIXED ASSETS	\$ 27,120	\$ (3,164)	\$ 22,950	\$ 1,006



SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE D - SHORT-TERM DEBT

During the year the Corporation borrowed \$14,816 from Schoolcraft County for operating purposes. This loan was also repaid within the fiscal year.

NOTE E - NET ASSETS - RESERVED

Of the \$78,578 of unrestricted net assets the Board has reserved \$3,297 for future asset replacement and \$30,158 for future housing projects. The total reservations of \$33,455 also show as follows in the Statement of Net Assets:

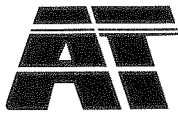
Cash - restricted	\$ 81,819
Deferred revenue - Housing	<u>(48,364)</u>
	<u>\$ 33,455</u>

NOTE F - CONTINGENT LIABILITIES

The Economic Development Corporation receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination by the grantor agency. Any disallowed claims resulting from such examination could become a liability of the Economic Development Corporation. Management is not aware of any such claims as of September 30, 2006.

NOTE G - RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Settled claims resulting from these risks, if any, have not exceeded commercial insurance coverage in any of the past three fiscal years.



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of the Schoolcraft County  
Economic Development Corporation  
Manistique, Michigan 49854

We have audited the component unit financial statements of the Schoolcraft County Economic Development Corporation, as of and for the year ended September 30, 2006, and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Corporation, in a separate letter dated December 14, 2006,

Board of Directors of the Schoolcraft County  
Economic Development Corporation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Corporation Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 14, 2006



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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Lindsay J. Behrend, CPA

**REPORT TO MANAGEMENT**

To the Board of Directors and Management of  
Schoolcraft County Economic Development Corporation  
Manistique, Michigan

**Audit Committee Communications**

We have audited the component unit financial statements of the Schoolcraft County Economic Development Corporation for the year ended September 30, 2006, and have issued our reports thereon dated December 14, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility Under U. S. Generally Accepted Auditing Standards**

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Schoolcraft County Economic Development Corporation. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Corporation's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Board of Directors and Management of  
Schoolcraft County Economic Development Corporation

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Schoolcraft County Economic Development Corporation are described in Note A of the financial statements.

No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Schoolcraft County Economic Development Corporation during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute or test the estimates. The most sensitive estimate would be the lives of the fixed assets. This estimate has been made using management's experience with past useful lives of similar assets.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do have a significant effect on the financial reporting process.

The audit adjustments made that have a significant effect on the financial reporting process were primarily to record receivables, payables and deferred revenue as of year-end. These adjustments were reviewed and approved by management and have been posted to the records of the corporation.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Board of Directors and Management of  
Schoolcraft County Economic Development Corporation

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Schoolcraft County Economic Development Corporation, or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant advise us so we may determine if the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

There were no discussions with management regarding any issues that were a condition to our retention as independent auditors.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

**Comments and Suggestions**

In planning and performing our audit of component unit financial statements of the Schoolcraft County Economic Development Corporation, for the year ended September 30, 2006, we considered the Corporation's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and/or operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 14, 2006, on the financial statements of the Schoolcraft County Economic Development Corporation.

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would like to express our appreciation for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.

Board of Directors and Management of  
Schoolcraft County Economic Development Corporation

This report is intended for the information of the Board, the cognizant audit agency, and other audit agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board, is a matter of public record.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 14, 2006

COMMENTS AND SUGGESTIONS

September 30, 2006

BOARD OVERSIGHT

Because of the limited number of staff available at the Corporation it is our feeling that board oversight over financial activity is of significant importance. We recommend that the Board consider establishing a finance committee. This committee would be responsible for reviewing all monthly disbursement activity, bank reconciliations and considering on a periodic basis, the review of documentation backing up the disbursement activity. Presently one of the board members is keeping the financial records for the Corporation in the absence of the executive director. While this aids in internal control we still feel the formation of a finance committee would enhance it further.

CASH DISBURSEMENTS

We noted during our audit that the cash drawdowns for ongoing projects were not always expended within thirty days as required by state and federal guidelines. We recommend that management make every possible effort to meet this requirement in the future.